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C O N F I D E N T I A L SECTION 01 OF 04 TAIPEI 000119

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SUBJECT: DPP CANDIDATE FRANK HSIEH ON PRESIDENTIAL CAMPAIGN
AND UN REFERENDUM

Classified By: AIT Director Stephen M. Young,
Reasons: 1.4 (b/d)

11. (C) Summary: In a meeting with the Director on January 23, DPP presidential candidate Frank Hsieh described cross-party efforts to resolve the UN referendum issue, an issue that is controversial for both the DPP and KMT. The KMT is talking to President Chen about its ideas for a possible compromise. Hsieh noted that U.S. opposition to the UN referendum has been damaging to the DPP, and he hoped that U.S. sensitivities will be reduced now that the KMT has won super-majority control of the LY, including the ability to recall the president. Hsieh made a specific plea that Secretary Rice not reiterate U.S. opposition to the

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referendum during her late February visit to Beijing. Explaining the difficulty of dropping the referendum at this late date, Hsieh emphasized his commitment to restoring trust in U.S.-Taiwan relations after the March 22 election. Despite currently trailing KMT Ma Ying-jeou in the polls, Hsieh expressed confidence in his presidential campaign while noting major hurdles. The DPP is now strongly united, and Hsieh predicted he will be able to cut Ma's lead to less than 5 percent by mid-February. A major Hsieh campaign theme will be the need to have a DPP president to produce a well-balanced democracy, now that the KMT has won overwhelming legislative power. End Summary.

UN Referendum

12. (C) The Director discussed the UN referendum and presidential race with DPP candidate Frank Hsieh at Hsieh's new campaign headquarters on the evening of January 23. Hsieh was accompanied by DPP Secretary General Lee Ying-yuan and party and campaign International Affairs Director Bikhim Hsiao. Hsieh expressed hope that, following the KMT's landslide victory in the January 12 Legislative Yuan (LY) elections, Beijing will now adopt a more relaxed attitude toward the UN referendum. The KMT now controls a 3/4 majority in the LY and therefore will have a free hand to do whatever it wants, including recalling the president.

13. (C) Hsieh said he had discussed the UN referendum issue with President Chen on January 22, and KMT Chairman Wu

Poh-hsiung would be meeting with Chen on Thursday (Jan. 24) to discuss the same issue. There have also been contacts with LY Speaker Wang Jin-pyng, Hsieh added. With the KMT now controlling a 3/4 majority in the LY, China should no longer be afraid of "next steps" that Taiwan might take following the UN referendum. Wu has proposed that the presidential election and UN referenda should be held on different days. However, the expected low turnout for a separate referendum vote would make it impossible to meet the high participation requirement (50 percent of eligible voters) needed to validate a referendum, a point Hsieh said he had discussed with President Chen.

¶4. (C) Wang Jin-pyng may be thinking of having the LY propose a new UN referendum, Hsieh noted, but the existing referenda cannot be withdrawn, so there would be three UN referenda, and the situation would spin out of control. President Chen's idea is to propose a defensive UN referendum, but Hsieh said he disagreed with this idea. The KMT would inevitably regard President Chen's introduction of a new UN referendum proposal as a plot. Chen should be standing above the fray and playing a coordinating role, Hsieh suggested, adding that a KMT boycott of the UN referenda would be bad for Taiwan.

¶5. (C) The Director asked Hsieh if the DPP still regards the UN referendum as important for its presidential campaign. Hsieh acknowledged that the referendum is no longer needed to mobilize DPP voters, since the party's overwhelming defeat in the LY elections is serving that purpose. However, the DPP has to be consistent and cannot suddenly stop the referendum after collecting more than 2.7 million signatures. One possible solution, Hsieh suggested, would be for voters to support both referenda. In this way, both the KMT and DPP referenda would pass, and the KMT (if it wins the presidency)

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could decide which of the two referenda it would implement.

¶6. (C) Regardless of who wins on March 22, the Director stressed, Taiwan's next president will need to restore the trust in U.S.-Taiwan relations that has been damaged by President Chen's actions, including the UN referendum. Lee Ying-yuan pointed out that President Chen has stepped back to the second line. With just 59 days to go before the election, Hsieh is now on the front line and will move to restore U.S.-Taiwan relations, but he cannot drop the referendum, although there may be adjustments or modifications. Hsieh and Lee expressed hope that Secretary Rice would not see a need to speak out against the UN referendum during her upcoming visit to Beijing in late February. Chinese opposition to the UN referendum would help the DPP, Hsieh observed. However, because of Taiwan's close relationship with the U.S., U.S. opposition is a headache for the DPP. The Director emphasized that the U.S. greatly respects Taiwan's democracy and does not take sides in the presidential election. That said, when Secretary Rice meets with Chinese leaders in late February, she may decide she needs to restate publicly the U.S. position on the UN referendum issue.

¶7. (C) Hsieh suggested that the KMT's domination of the LY should reduce U.S. sensitivities about possible implications of the UN referendum. Taiwan's next president will need to pay greater attention to the U.S. and also to China, Hsieh acknowledged. However, in this particular case, Taiwan cannot follow U.S. wishes. While Taiwan can make adjustments, it cannot drop the UN referendum just 59 days before the presidential election. Stressing he will repair Taiwan-U.S. relations if he is elected, Hsieh expressed hope the U.S. will de-emphasize the UN referendum issue. If Ma is elected, Hsieh predicted, Taiwan's relations with China might develop too quickly, not necessarily in the U.S. interest. While Ma would not take such steps himself, he is not a capable leader and would be unable to stop a trend pushed by others in the pan-Blue camp.

Reasons for the LY Defeat

¶18. (C) The reasons for the LY defeat are complex, Hsieh observed. The decline in President Chen's popularity enabled the KMT to turn the elections into a vote of confidence against Chen. Since Chen has now stepped down as party chairman, however, he will not be interfering in the presidential campaign. Despite a little slippage, the DPP held on to its approximately 40 percent base in the LY elections. However, this base is not sufficient to win one-on-one contests under the new election format, for which candidates have to gain majority support. The public's dissatisfaction with the DPP was another factor, and voters in the political center did not vote for the party this time.

In addition, the media has been emphasizing the DPP government's responsibility for Taiwan's economic problems.

The Presidential Campaign

¶19. (C) Holding a rally in Kaohsiung the day after the LY election defeat had been a wise decision, Hsieh said. The rally had attracted many people, encouraging the DPP's supporters in the wake of the election defeat. Hsieh noted that his support in internal public opinion polling has gone up 7 percent since January 12. By February 10-15, he predicted, the gap with Ma will shrink to less than 5 percent. At that point, the KMT will become anxious, and the election campaign will turn chaotic and negative, though Hsieh said he would urge Ma to avoid negative campaigning to the extent possible. Experience suggests that, unlike the LY elections, the margin of victory in the presidential election will be very small. Hsieh said he feels no burden in the campaign because people are saying it will be a miracle if he can win. In contrast to the KMT, which has money and can afford much campaign advertising, Hsieh explained that he is spending little money on his campaign, instead holding frequent press conferences, which provide free media

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coverage.

¶10. (C) Following the LY election defeat, the DPP is now strongly united, Hsieh observed, adding that he has also been meeting with a variety of political figures and political parties in hopes of organizing a Rainbow Coalition. He acknowledged, however, that the Taiwan Solidarity Union (TSU) is still angry over the LY elections in which it won no seats. The KMT is also united, but people are becoming afraid of Ma's power. Also, some KMT members are rushing to the Mainland, hoping to claim credit for the party's strong showing in the LY elections.

¶11. (C) A variety of issues will come up during the presidential campaign, including economic policy and core values, Hsieh suggested. "Democratic values" will be especially important in this election, because the KMT will have too much power if it wins the presidency. An unbalanced political system would mean the KMT could sign problematic agreements with China, while the DPP would be unable to make any proposals. Such imbalance would not reflect the realities of Taiwan's society. In addition to the DPP's 40 percent support, the TSU and the New Party have about 4 percent support each.

¶12. (C) Hsieh noted that he has been emphasizing economic issues in his campaign, adding that he would like to debate Ma on this topic. After long declining to debate, Ma is now proposing a debate on arranging charter flights to bring people stationed in China back to Taiwan to vote on March 22. Hsieh said he would agree to a three-day debate on three topics: 1) affordable housing for young people, 2) the UN referenda, and 3) cross-Straits charter flights. However, he did not expect Ma to accept this counterproposal.

Cross-Strait Relations

¶13. (C) Hsieh argued that his cross-Strait economic policies are more carefully thought out and practical than those of Ma, and he claimed that Ma has even been copying his ideas, for example, on charter flights. He and Ma both favor allowing Chinese tourists to visit Taiwan, Hsieh noted. While Ma favors allowing 10,000 PRC tourists per day, Hsieh asserted, he supports starting with a smaller number - 1,000 - to first test the process and then gradually increase the numbers. Hsieh said he does not believe Ma has an advantage over him on cross-Strait policy. If cross-Strait relations are opened too quickly, for example, by recognizing PRC diplomas as Ma suggests, this will have negative effects on the employment situation for people in Taiwan.

¶14. (C) Hsieh suggested that Taiwan will need U.S. and other international involvement in the future to help solve the cross-Strait issue. Taiwan on its own will be unable to negotiate an agreement with the PRC that benefits Taiwan. This is because Beijing will not accept any conclusion that does not benefit itself.

¶15. (C) If elected, Hsieh said, he will discuss his choice of a premier with the KMT (possibly even appointing Ma Ying-jeou himself), establish a coalition government and serve as president of all the people. While it would have been impossible in the past to appoint a business CEO as premier because the premiership was too political, this situation has changed because of the KMT super majority in the LY. Appointing a CEO as premier could be done even now if the KMT agreed, and Hsieh said he had suggested this idea to President Chen.

Comment

¶16. (C) With the LY elections over and President Chen having retreated to the background, Hsieh seemed much more in control of his presidential campaign than during our past meetings. Hsieh continues to voice optimism he has a strong opportunity to win the presidential election. Overall, we found Hsieh a bit tentative, as if he is grappling with the

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enormous odds he faces in trying to defeat a resurgent KMT and its candidate. The two UN referenda have become a problem for both parties, but the intense competitiveness of the presidential election campaign could complicate efforts to find a compromise solution.
YOUNG